

## 11.07.07: Thinly spread funds make training hard

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By Terri Somers

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A revived state Commission for Economic Development is calling for increased efforts to boost work force training and support in crucial growth areas for California, such as biotechnology. But the commission learned yesterday at a meeting at Miramar College that training programs the industry considers crucial are forced to exist with a smattering of funds or short-term grants.

For instance, the Southern California Biotechnology Center, a course at Miramar College that trains lab workers for the biotechnology industry, is an example of the technical education programs the commission wants to see spread around the state.

The three-semester program uses its industry advisory board to keep abreast of the work force needs in the region's biotech companies. Despite numerous students finding job placements, the program scrapes by with industry donations and a portion of the \$58 million that the community college system receives annually and must spread among its 109 colleges for courses in numerous fields.

"Work force development is the single most significant challenge faced by the biotechnology industry and other major employers in our state," Lt. Gov. John Garamendi said yesterday.

"For our state and its people to prosper in the decades ahead, we must find ways to meet this challenge head-on," said Garamendi, who chairs the commission.

Garamendi said he and Gov. Arnold Schwarzenegger decided to revive the once-defunct Commission for Economic Development, which aims to promote the development of financially and environmentally sustainable growth in the state economy.

The bipartisan commission, composed of gubernatorial appointees including Assemblywoman Lori Saldaña, D-San Diego, will gather information and then make policy and funding suggestions to the governor and Legislature, Garamendi said. It could also decide to sponsor legislation, or opine on whether proposed legislation would either boost or hurt economic development, he said.

Yesterday, during the second meeting since its revival, the commission was still hammering out its mission statement and goals.

But it also began seeking guidance on the issues that could be hampering specific industries, such as aerospace and agriculture. Since the meeting was in San Diego, home to one of the world's top three hubs for biomedical research, it heard from that industry's representatives.

Work force training and corporate taxes are long-standing issues for the local biotechnology industry, said Joseph Panetta, CEO of Biocom, the industry trade group in Southern California.

Biomedical companies surveyed by the California Healthcare Institute said their No. 1 reason for locating in the state is access to a talented work force.

The region's research institutes and universities provide hundreds of Ph.D.-level scientists. They fuel the biotechnology industry with discoveries that may one day result in new therapies and products.

But there is always a demand for technicians to work in the labs as companies expand into clinical testing and manufacturing, Panetta said.

Biocom, the San Diego Workforce Partnership and the community college system developed a summer internship program to bring high school students and teachers into biotechnology labs to learn about the industry, he said. But after five years, a federal grant from the Department of Labor expired, Panetta said.

"This initiative is something that fits right in with what you are trying to accomplish," Panetta told the commission. But it now needs an alternative funding source, such as the state, to survive, he said.

Also hurting the growth of the industry is the state formula for determining corporate tax rates, he said.

Currently, the state determines the rate using a four-part formula determined by property, personnel and sales. The sales

figures have double weight in the equation.

“In our industry, we buy a lot of expensive equipment and a company will hire hundreds of people,” Panetta said. “That means we are being taxed for contributing to the state economy. Our industry actually pays more corporate income taxes every time we hire an additional Californian.”

In Oregon and 20 other states, corporate income tax is based more heavily, if not entirely, on the proportion of sales that occur in the state – or revenue – rather than spending, Panetta said.

Those tax formulas persuaded Genentech, based in the Bay Area, to build a manufacturing facility in Oregon rather than California.

Many states and cities are going even further to pick off pieces of California's biomedical industry, which includes 2,700 companies that employ about 260,000 people and report \$62 billion in annual revenue, according to the California Healthcare Institutes.

San Diego-based Amylin Pharmaceuticals, which has two diabetes drugs on the market, chose to build its \$70 million manufacturing hub in Ohio after that state offered an eight-year, 75 percent tax break and provided \$3.5 million in job creation incentives, Panetta said.

Since Schwarzenegger has said he wants 10 percent budget cuts, the local biotechnology industry is not optimistic that tax incentives have much of a chance. But it intends to keep fighting for them.

“We in the California biotech industry don't expect that we will have a completely level playing field when it comes to incentives,” Panetta said. “But California as a state does need to be somewhat competitive if we are to capture our share of biotech jobs to be created in the next 10 to 20 years.”